

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FRANCHISE GROUP, INC. *et al.*,

Reorganized Debtor.

Chapter 11

Case No. 24-12480 (LSS)

Re: D.I. Nos. 879, 1312 & 1449

**FURTHER OBJECTION OF bb BHF STORES LLC TO
ASSUMPTION OF CERTAIN FRANCHISE AGREEMENTS**

Franchisee bb BHF Stores LLC (“BHF” or “Franchisee”) by and through its undersigned counsel, respectfully bring this further objection to the assumption of certain of BHF’s franchise agreements by Franchise Group, Inc. (the “Reorganized Debtor” and, collectively with its affiliated reorganized debtors “FRG” or, as applicable, the “Reorganized Debtors” or the “Debtors”)

PRELIMINARY STATEMENT

1. On November 3, 2024 (the “Petition Date”), the above-captioned Debtors, including Buddy’s Franchising and Licensing LLC and Buddy’s Newco LLC, filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Delaware (this “Court”).

2. The Debtors held and operated franchised businesses, including Buddy’s Home Furnishings (“Buddy’s”).

3. BHF filed its objections to the Debtors’ proposed assumption of certain of BHF’s franchise agreements.

4. Specifically, on January 31, 2025, BHF filed its *Objection and Reservation of Rights of BHF Franchisee to Notice of Possible Assumption and Assignment and Cure Costs with Respect to Executory Contracts*. [D.I. 879].

5. On May 13, 2025, BHF filed its *Objection and Reservation of Rights of BHF*

Franchisee to the Eighth Amended Joint Chapter 11 Plan of Franchise Group, Inc. and its Debtor Affiliates [D.I. 1449]

6. Despite the Debtors' plan of reorganization being confirmed months ago, those objections remain unresolved.

7. BHF, through this filing, hereby supplements its pending objections to the assumption of certain of its franchise agreements with the Debtors.

RELEVANT BACKGROUND

8. BHF is one of the largest Buddy's franchisees with fifty-three (53) stores located primarily in the Southeastern United States.

9. Buddy's offers furniture, electronics, appliances and furniture to consumers primarily through rent-to-own agreements.

10. Through their confirmed plan of reorganization, the Debtors proposed to assume BHF's franchise agreements on revised terms to be later negotiated between the parties.

11. Since BHF first became a Buddy's Franchisee in 2020, it has been a loyal and committed franchisee, continuously fulfilling its obligations and diligently working to maintain the brand, even during the hardships and challenges to BHF caused from Debtors Chapter 11 proceedings filed on November 3, 2024, before this Court.

A. BHF's Asset Purchase Agreement with Seller FRG and Buddy's Newco LLC

12. On November 10, 2020, BHF, as buyer, purchased forty-seven (47) Buddy's Home Furnishings stores for \$35,000,000 from Debtor FRG and Buddy's Newco, LLC, as seller, pursuant to a certain Asset Purchase Agreement (the "2020 Purchase"). Debtor Buddy's Newco LLC is the parent company to Debtor Buddy's Franchising and Licensing LLC.

13. Since the 2020 Purchase, BHF has acquired additional Buddy's stores from third parties and operates approximately fifty-three (53) stores.

B. The Franchise Agreement, Marketing Fund and Technology Fees

14. Each BHF store is governed by its own stand-alone franchise agreement, entered into between BHF and Franchisor, which primarily sets forth the rights and obligations of the Franchisor and Franchisee. The franchise agreement for each BHF stores contain the same or substantially the same terms in relevant part (individually a "Franchise Agreement" and collectively the "Franchise Agreements"). The initial term of each respective Franchise Agreement is ten (10) years, subject to renewals. For example, the earliest BHF Franchise Agreement pursuant to the 2020 Purchase commenced in November 2020, and would expire in November 2030, and is subject to a renewal term of 10 years. Some Franchise Agreements expire late 2032.

15. Each BHF Franchise Agreement states that BHF must pay into an FRG monthly marketing fund for each open Buddy's store (the "Marketing Fund"), which BHF has paid continuously each month without exception since its acquisition of the stores.

16. Additionally, each BHF store is governed by its own respective "Technology Agreement" entered into between a Franchisee and franchisor, wherein BHF would pay a monthly technology fee for each operating store. In exchange, franchisor is to provide the hardware and software, primarily the "Point of Sale" system (POS) to BHF for customer transactions. Notably, the Technology Agreement terminates upon the termination of the Franchise Agreement or by written notice by Franchisor. The Technology Agreement also contains a prevailing party attorney fees provision which specifically includes all collection and court costs, and reasonable attorneys' fees, whether incurred out of court, at trial, on appeal, or in any bankruptcy proceeding.

C. Three Rejected Store Subleases

17. Debtor Buddy's Newco LLC, as sublease landlord, subleased three (3) Buddy's stores to BHF pursuant to three respective sublease agreements (collectively, the "Subleases").

18. On April 30, 2025, the Debtors filed the *Amended Plan Supplement* [D.I. 1371] (the "Plan Supplement"), which included the Rejected Contracts/Lease List as Exhibit E. *See* D.I. 1371-2. The Rejected Contracts List included three stores owned and operated by BHF. The three rejected subleases were Buddy's stores located at 1) 5201 Norwood Ave., Jacksonville, FL 32208 (BHF store # 55); 2) 8807 Lem Turner Rd, Jacksonville, FL 32208 (BHF Store #17); and 3) 31st St NW Moultrie, GA 31768 (BHF store #65), (collectively referred to as the "Three Rejected Subleases").

19. BHF was required to close the stores subject to the Three Rejected Subleases and vacate those premises by May 20, 2025 [D.I 1371-2 pgs. 98 of 37]. BHF also had to terminate the employment of the employees at those stores.

20. The Three Rejected Subleases were part of BHF's 2020 acquisition wherein BHF paid \$744,680 to the Debtor for each store, equaling a purchase price of \$2,234,042 for the three locations.

21. Per the Subleases, the term expiration dates, if fully extended, were September 30, 2048, yet BHF was forced to prematurely vacate the Three Rejected Stores by May 20, 2025. The respective franchise agreements have more than five years left and remain fully renewable for 10 years subject to their terms. In addition, the Reorganized Debtors have not finally assumed or rejected the Franchise Agreements that govern the operations of the stores located on the premises of the Three Rejected Subleases.

22. FRG has wrongfully continued to charge BHF and automatically debits BHF's bank accounts for Marketing Fund and Technology Fees for the stores located at the Three Rejected Subleases since their May 2025 closure. In other words, from June through December 2025, Franchisor wrongfully charged BHF for marketing and Technology fees (*i.e.* the POS system) in excess of \$30,000 for non-existing stores that FRG forced BHF to close in May 2025.

23. Since the vacate date of May 20, 2025, even though the *subleases* were rejected, Franchisor did not provide to BHF the required formal notice that its franchise agreements and technology agreements had been terminated along with the eviction, yet Debtors still brazenly charged BHF for services not rendered by auto debiting BHF's bank accounts. BHF fulfilled its contractual obligations regarding the relevant agreements as well as dutifully closed its stores pursuant to the Debtors' rejection of the subleases.

24. While BHF notes that the parties have been working to resolve issues relating to current objections and closing store documentation, FRG abruptly ended discussions and ceased working towards a resolution. BHF was surprised by this conduct, as one of the largest Buddy's franchisees that has demonstrated its good faith throughout the negotiations.

25. Nevertheless, BHF has been harmed by paying \$744,680 per store on November 10, 2020, and forced to close the three stores less than five years later on May 20, 2025.

26. Additionally, and separately, Franchisor has wrongfully charged BHF and auto debited the marketing and technology fees since the closure of these and certain other closed stores.

RESERVATIONS OF RIGHTS

27. BHF reserves the right to amend or supplement this Objection in all respects, including (i) to assert all additional amounts that become owed to it between the date hereof and the date of any assumption of the Franchise Agreements that otherwise must be cured under Section

365(b)(1)(A) of the Bankruptcy Code; (ii) to supplement with respect to facts subsequently discovered; and (iii) to come back to this Court for further relief if the Reorganized Debtors fail to act in good faith.

RELIEF REQUESTED

WHEREFORE, bb BHF Stores LLC respectfully requests that the Court enter an order compelling the Reorganized Debtors to assume or reject the Franchise Agreements for Stores #17, #55 and #65 by a date certain; requiring the Reorganized Debtors to either cure all defaults under the Franchise Agreements or allow a rejection damages claim; requiring the Reorganized Debtors to refund to BHF all Marketing Fund and Technology fees collected since May 20, 2025; awarding fees and costs for the prosecution of the this Objection and pending Objections; and granting such other and further relief as equitable.

Dated: January 5, 2026

CROSS & SIMON, LLC

/s/ Michael L. Vild

Michael L. Vild (No. 3046)
1105 N. Market Street, Suite 901
Wilmington, DE 19801
Telephone: 302-777-4200
mvild@crosslaw.com
csimon@crosslaw.com

Counsel for bb BHF Stores LLC